



February 14, 2022

**MEMORANDUM**

To: Ebony Cross Shields, Instructional Director  
Cluster 6

Dorothy Clowers, Principal  
William Paca Elementary School

From: Michele Winston, CPA, Director  
Internal Audit

Re: Financial Audit for July 1, 2016 through November 30, 2021

An audit was completed on the financial records of **William Paca Elementary School** for the period July 1, 2016 through November 30, 2021. The audit indicates that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds (SAF) and Board of Education (BOE) policies and procedures. The exceptions noted in the audit are documented in the attached audit report.

As principal of the school, you will be responsible for preparing an action plan by **March 14, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address [internal.audit@pgcps.org](mailto:internal.audit@pgcps.org). **Please forward this template as a Microsoft Word document.** A copy of your action plan should also be forwarded to Danyelle Washington, Business Analyst, email address: [dany.washington@pgcps.org](mailto:dany.washington@pgcps.org); and Joeday Newsom, Esq., Ethics Compliance Officer, email address: [joeday.newsom@pgcps.org](mailto:joeday.newsom@pgcps.org); and Katrina Greene, School Activity Fund Support Specialist, email address: [katrina.greene@pgcps.org](mailto:katrina.greene@pgcps.org).

Enclosure

cc: Juanita Miller, Ed. D., Board Chair  
Monica Goldson, Ed. D., Chief Executive Officer  
Members, Board of Education  
Mychael Dickerson, Chief of Staff  
Michael Herbstman, Chief Financial Officer  
James Dougherty, Esq., Director, Financial Services  
Kassandra Lassiter, Ed. D., Associate Superintendent, Area 1  
Helen Coley, Ed. D., Chief, School Support and Leadership  
Joeday Newsom, Esq., Ethics Compliance Officer  
Robin Welsh, Director of Monitoring, Accountability and Compliance  
Katrina Greene, Student Activity Fund Support Specialist  
Janice Walters-Semple, CPA, Supervisor Internal Audit  
Rhonda Carter, Internal Auditor II

**Internal Audit Report**

**William Paca Elementary School  
School Activity Funds**

**For the Period Ended November 30, 2021**

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**Internal Auditor's Report**

We have examined the School Activity Funds (SAF) of William Paca Elementary School for the period July 1, 2016 through November 30, 2021. William Paca Elementary School's Principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards and accordingly, included examining on a test basis, evidence supporting SAF, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following findings:

- *Administration of Checks*
- *Delinquent Vendor Payments;*
- *Mismanagement of Funds Received;*
- *Record Retention; and*
- *Non-compliance with Authorized Signers Requirement*

Individually or in the aggregate, these findings resulted in a material deviation from Board of Education (BOE) policies, procedures, and the requirements of the Accounting Procedures Manual (APM) for SAF.

In our opinion, except for the deviations from the criteria described in the preceding paragraph, the SAF referred to above was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended November 30, 2021.



Michele Winston, CPA, Director  
Internal Audit

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**SUMMARY**

Internal Audit completed an audit of the School Activity Funds (SAF) for William Paca Elementary School for the period July 1, 2016 through November 30, 2021. The audit was conducted as part of the department's annual audit plan.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual (APM) for School Activity Funds and Board of Education (BOE) policies and procedures.

This audit report includes 4 findings that occurred under the leadership of the current principal. A listing of the findings and the personnel responsible are included in the appendix at the end of the audit report. In addition, detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

**OBJECTIVES**

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school complies with the policies and procedures of the APM and the BOE. It is important to recognize that, while the audit focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

**SCOPE**

The audit was based on our review of bank statements, financial reports, selected cancelled checks, and all voided checks and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2016 through November 30, 2021. In addition, selected receipts, disbursements, and supporting documentation were reviewed for the aforementioned period. This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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**FINDINGS AND RECOMMENDATIONS**

The audit resulted in the following findings and recommendations.

**2022.01: Administration of Checks**

The following exceptions pertaining to administration of voided checks were noted:

- A. ***Voided Checks*** – There were **6** instances where voided checks could not be located to determine whether they were voided.
  
- B. ***Cancelled Checks*** - There were **9** instances where cancelled checks did not meet the dual signature requirements per the APM. The cancelled checks only reflected the principal’s signature.

The APM provides the following guidelines regarding the administration of checks:

- A. All voided checks must be entered in SFO and have “VOID” written across the face of the check. The signature line must be removed and the voided checks attached to approved SFEFs or Void Check Proof Sheets.
  
- B. In accordance with AP 4180, *School Bank Accounts*, two authorized signatures are required on all checks. The two standard check signers should be the principal and the bookkeeper. The third signer must be a vice principal or school administrator.

Due to the absence of a bookkeeper for approximately 6 months in SY 2017/2018, an adequate filing system did not exist to ensure that voided checks were properly maintained. The current recordkeeping staff was not established as an authorized check signer as of the end of fieldwork. The signature of the third check signer was not always sought to ensure compliance with the check signing requirements.

Failure to make financial records available for audit compromises the audit trail necessary for determining compliance with applicable requirements. Failure to properly authorize checks with the dual signature requirements could result in unauthorized negotiation of checks. Failure to follow instructions for processing vendor payments increases financial risk to the school.

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**Recommendation:** The following corrective actions should be implemented:

- A. An adequate records management system must be established to facilitate the maintenance and retrieval of voided checks.
- B. The principal and recordkeeping staff must ensure that all future disbursements are properly authorized with two approved signatures. The third check signer's signature must be affixed on checks in the absence of either the principal or recordkeeping staff. The principal must contact the Assistant Treasurer's office to ensure that the recordkeeping staff is added to the bank signature card to facilitate the dual signature requirement.

**2022.02: Delinquent Vendor Payments**

There were 2 instances where vendor payments were not remitted in a timely manner. The delinquencies were 55 and 302 days. A completed School Funds Expenditure Form (SFEF) was not attached to provide evidence to substantiate proper review and approval by the principal in one of these instances.

According to the APM, invoices are required to be paid within 30 days of receipt or by the invoice due date. The principal should review invoices and statements for past due amounts and ensure that payments are made in a timely manner. Prior to ordering or purchasing goods or services, an SFEF must be completed and signed (approved) by the principal.

Due to the delinquent submission or non-submission of SFEFs by staff members, timely vendor payments were not always made. Review of supporting documentation was not always performed to ensure SFEFs were properly completed, and approved by the principal prior to processing vendor payments.

Delinquent vendor payments constitute non-compliance with BOE policies and procedures and increases financial risk to the school and staff. Approving purchases without adequate documentation or failure to adequately approve expenditures could result in payment for goods and services that were not received. Also, delinquent payments could impact the BOE's relationship with vendors and may result in late payment fees.

**Recommendation:** The principal must ensure staff members are reminded that supporting documentation necessary for timely processing of payments is promptly submitted to recordkeeping staff to ensure compliance with the requirements for timely processing of

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expenditures. The principal should ensure all pre-approval details are provided on SFEEs prior to approving expenditures.

**2022.03 Mismanagement of Funds Received**

The following exceptions pertaining to management of funds received were noted:

- A. ***Delinquent Deposits*** – There were **3** instances where deposits were not made in a timely manner. The range of delinquency was from 6 to 32 days.
- B. ***Inadequate Supporting Documentation*** - There were **2** instances where collections were not properly supported. Specifically, there was no MTF attached in 1 instance and no deposit slip included in the other instance.

The APM provides the following guidelines regarding the administration of funds received:

- A. Bookkeepers must make deposits of all funds received at least every other day. However, no more than **\$250.00** should be kept in the building overnight. If funds are kept on-hand at the school awaiting deposit, it must be kept in a secure location. It is important that schools establish internal controls to ensure frequent deposits occur.
- B. MTFs should be supported with student remittance forms, fundraiser forms or other documentation that shows the source and purpose of funds.

BOE policies and procedures as established in the APM were not consistently followed. In some instances, collections of less than \$50.00 were held by recordkeeping staff and combined with larger amounts before processing which resulted in delinquent deposits. A thorough review of collections and verification by the recordkeeping staff was not always performed to ensure that adequate supporting documentation was received.

Delinquent deposit of funds impacts the accuracy of financial reporting upon which administrators rely to make financial decisions. Inadequate supporting documentation negates evidence necessary to ascertain whether collections were processed as required.

**Recommendation:** The following corrective actions should be implemented for William Paca Elementary School to be in compliance with BOE policies and procedures for collection of SAF:

- A. The recordkeeping staff must be reminded that all funds collected and remitted should be deposited on a daily basis especially funds in excess of **\$250.00**.



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- B. The recordkeeping staff must review remittances to ensure that MTF documentation is complete including verifying that all supporting documentation is attached prior to acceptance and deposit of funds.
  
- C. The principal should perform periodic review of the deposit records to monitor whether deposits are made as required. The recordkeeping staff must be held accountable for compliance.

**2022.04 Record Retention**

Supporting documentation was not available to substantiate financial transactions in the following instances:

- 7 Journal entry transfers
- 11 Year-End MTFs for FY 2020 (pink and yellow MTF remittances), and
- 4 Year-End MTFs for FY 2021 (pink MTF remittances)

The APM provides the following guidelines relative to the administration of financial records:

Section 6.12, *Record Retention*, all SAF records must be retained for a period of 7 years and/or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities, Monetary Transmittal Forms, School Fund Expenditure Forms, cancelled checks and contracts.

Section 4.5.4.2 *Transfers Between Restricted and Unrestricted/Net Accounts* states that transfers between restricted accounts are only authorized if reviewed and approved by the principal. Evidence of approval is documented on the Fund Transfer Journal Entry Proof Sheet.

Section 4.5.2.2, *Procedures: Collecting Funds: Completing the Monetary Transmittal Form*, requires each staff member who collects SAFs to maintain an envelope containing both pink and yellow copies of MTF remittances generated during the year. The staff member is required to submit the signed, sealed envelope to the designated administrator prior to the year-end check out. The envelopes should remain sealed until requested by Internal Audit.

An adequate filing system for the Fund Transfer Journal Entry Proof Sheets was not consistently maintained by the recordkeeping staff to ensure evidence of approval for fund transfers. Also, refresher training was not provided to staff regarding the policies and procedures for MTF envelope submission during the year-end check out process.

Failure to complete the Fund Transfer Journal Entry Proof Sheet and maintain documentation in accordance with the APM requirements could lead to inaccurate recording and reporting of

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the school's financial transactions. The absence of MTF remittances compromises the audit trail necessary to determine compliance with the requirements for collection of SAF.

**Recommendation:** The following corrective actions should be implemented to ensure that financial records are properly maintained.

- The principal must ensure proper custody of all records relating to SAFs until they are audited. An adequate filing system must be implemented to help ensure that in the absence of the recordkeeping staff or principal, financial records are retrievable.
- During In-service training, staff must be reminded of their responsibility relative to MTF envelope submission during the year-end checkout process. The recordkeeping staff should print the "*Receiptee History*" report from the accounting system and provide it to the administrator responsible for collecting MTF envelopes. The principal should instruct the administrator to obtain MTF envelopes based on the printed report. Each employee must be held accountable for returning MTF envelopes, including all processed MTFs, as part of the year-end checkout process.

### **STATUS OF PRIOR AUDIT FINDINGS**

The previous audit report for William Paca Elementary School was issued for the period ending September 30, 2015. During that period, the current principal was assigned to the school. The current recordkeeping staff was assigned to the school in January 2017. The previous audit report had **9** reportable conditions of which **4** are repeated findings in the current audit. The following findings were noted as a result of the prior audit, and the status is indicated below:

- **Mismanagement of Disbursements** – Condition still exists. See Finding 2022.02, *Delinquent Vendor Payments*.
- **Mismanagement of Funds Received** – Condition still exists. See Finding 2022.03, *Mismanagement of Funds Received*.
- **Year-End Monetary Transmittal Form Envelopes Collection Process** – Condition still exists. See Finding 2022.05, *Record Retention*.
- **Record Retention** – Condition still exists. See Finding 2022.04, *Record Retention*.
- **Excessive Spending in Principal Sponsored Activities Fund Accounts** – Controls appear to be working.
- **Fundraiser Forms** – Controls appear to be working.

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- **Vending Machines Contract** – Controls appear to be working.
- **Untimely Removal of Authorized Check Signer** – Controls appear to be working.
- **Management Oversight** – Controls appear to be working.

**ACKNOWLEDGEMENT**

We would like to thank the principal and staff of William Paca Elementary School for their cooperation and assistance extended during the audit.

# Internal Audit Action Plan for William Paca Elementary School

March 29, 2022

Submitted by Dorothy Clowers, Principal

**Condition: Cash disbursements reviewed during the audit were not processed in accordance with BOE policies and procedures. The following exceptions pertaining to management of disbursements were noted:**

- A. Delinquent Vendor Payments - 1A identified (2) instances where expenditures were not remitted to the vendor in a timely manner. The delinquency of the expenditures was 55 and 302 days. F.1.1 € H.1  
**ACTION: Invoices will be paid within 30 days of receipt or the due date. The Principal will review all invoices and statements to ensure payments meet the deadline.**
- B. Canceled Checks Dual Signatures — 1A identified three (3) instances where canceled checks did not meet the dual signature requirements on the checks in accordance with the Accounting Procedures Manual (APM). F.1.2 € H.1  
**ACTION: Currently, there are two signers on the checkbook. Upon my return to work, the principal will ask the assistant principal to complete the documents to become a signer.**
- C. Inadequate Approval — There was one (1) instance where an expenditure was not adequately approved. A School Funds Expenditure Form (SFEF) was not completed for the purchase to determine proper review and approval by the Principal. H.1  
**ACTION: Prior to staff ordering goods and services, a pre approval form to be signed by the principal. In the principal's absence, the assistant principal will sign.**

**Condition: 2022.02 Administration of Checks: The following exceptions pertaining to administration of checks were noted: 6**

**A. Voided Checks - There were (9) instances where voided checks could not be located to determine if the checks were properly voided in accordance with the APM. H.2 B. Canceled Checks - During the review of the school's cancelled checks, the following exceptions were noted: e There were (6) instances where canceled checks did not meet the dual signature requirements per the APM. F.2.1 & H.3 was one (1) was e There were two-2) instances where payments were made for 'Reimbursement 'to unapproved vendors not listed in School Funds Online (SFO) and are not PGCPS staff members. F.2.2 & H.3**

**ACTION: All voided checks will be entered in SFO and have "VOID "written across the face of the check. The signature line will be removed and the voided checks attached to approved SFEF's or Void Check Proof Sheets. All checks will be written to an Approved/Active vendor in School Funds Online.**

**Cause: Due to the absence of a bookkeeper for approximately six months in 2017/2018, an adequate filing system did not exist. During the transition, the current recordkeeping staff was identified on the school's account for deposits, but not established as a check signer. In addition, the signature of the third check signer, the Assistant Principal, was not always sought to ensure compliance with the APM**

**requirements. BOE policies and procedures as established in SFO regarding the use of ‘Reimbursement’ or ‘Refund’ to pay unapproved vendors were not followed.**

**ACTION: Remind the recording staff of the importance of administering checks as required by the BOE. Retain all voided checks, enter the checks in SFO, and write the word “VOID” across the face of each check. Remove the signature line during the voiding process.**

**ACTION: The Principal will ensure that all future cash disbursements are properly authorized with two signatures and accurately recorded in SFO to Approved/Active vendors.**

**I agree with the audit finding from July 1, 2016-November 30, 2021. The findings were discussed in detail with the following team members: (Principal, Bookkeeper and Assistant Principal). Copies of the finding have been filed as a part of the school’s Audit report.**

Respectfully submitted,

Dorothy Clowers  
Dorothy Clowers  
Principal